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**N.C.A. Presentation with Respect to Suspension of Price Controls on Canned Foods
At a Hearing Conducted by the Senate Committee on Banking and Currency,
March 11, 1952, on Extension of the Defense Production Act**

The National Canners Association formally recommended on March 11 that Congress should provide for suspension of price controls on canned foods in ample supply where the prevailing price is exerting no inflationary pressure.

This recommendation was presented by Henry P. Taylor, 1950 President of the N.C.A., at hearings by the Senate Committee on Banking and Currency on proposals to extend the Defense Production Act, which authorizes price controls (see INFORMATION LETTER of March 15, page 125).

The N.C.A. recommendation was consistent with the resolution adopted by the canning industry at the 1952 Canners Convention in Atlantic City (see INFORMATION LETTER of January 30, page 85).

Widespread interest in the testimony has been evidenced, particularly because hearings on the same subject are scheduled to be held by the House Committee on Banking and Currency, starting March 24.

Various state and local canners associations have displayed interest in the N.C.A. presentation before the Senate Committee, and to assist these groups in keeping their memberships in-

formed of these legislative developments, the N.C.A. this week mailed to all active state, regional, and commodity associations copies of a detailed brief filed by N.C.A. with the Senate Committee, texts of a number of suspension or decontrol proposals awaiting Congressional consideration, a copy of Mr. Taylor's prepared statement, and the transcript of his testimony.

Interest of the Senate Banking and Currency Committee in Mr. Taylor's presentation was unusually keen. Several Committee members interrupted his formal statement with questions and comments that demonstrated an understanding and appreciation of the presentation. This participation by members of the Committee consumed some of the time allotted to the witness and accordingly Mr. Taylor was unable to complete the reading of his prepared statement. However, all of the points it made were covered in the questions and answers.

To furnish members with complete information on the N.C.A. presentation, there is reproduced here not only the full text of the prepared statement but also portions of the transcript of the hearing covering questions and answers.

Text of N.C.A. Prepared Statement

[Following is the complete text of the statement prepared for delivery by Mr. Taylor.]

My name is Henry P. Taylor. I am president of Taylor & Caldwell, Inc., vegetable canners of Walkerton, Virginia, and a past president of the National Canners Association.

The 47-state distribution of its members who pack over 640 million cases of canned foods valued at over \$2 billions is detailed in our formal statement which I want briefly to highlight for you by using some charts.

These cold facts, you will see, make inevitable the conviction that price controls on canned foods are unnecessary, that they currently serve no useful end in combating inflation, that the foreseeable future indicates no justification for their continued existence, and that they are a burden and restraint on the production of the canning industry without reason or purpose.

Last January at the Canners Convention our basic approach was set forth in these words:

"Our economic system and national strength are based on the tenet that abundant goods can best be produced and sold at fair prices in a free economy. Only where unavoidable restraints upon production cause shortages in supply can there be temporary justification for the artificial, burdensome, and inevitably inequitable and complicated system of government price controls. The canning industry is convinced that the Office of Price Stabilization should immediately promulgate regulations providing for suspension of price control on any product in ample supply where the prevailing price is exerting no inflationary pressure. Most canned foods are in this position. Standards for suspension of control should be specifically clear, direct, and automatically operative. Their effective use must be based on economic fact, rather than upon administrative predilection, so as to permit appropriate Congressional review and any necessary legislative revision."

These views, based on the facts I am going to summarize, should lead this Committee to provide for the suspension of price controls where—as in the canning industry—they are not needed for the purposes for which they were authorized.

We believe the staff of the Office of Price Stabilization is conscientious, hard-working and able, but we also believe that no government agency, no matter how conscientious, hard-working, and ably-staffed it may be, can ever hope to reproduce the flexibility

and self-adjusting characteristics of a free market.

No controls are even a moderately adequate substitute for the operation of the forces of supply and demand in a free economy. As illustrated in our statement, under price controls current distortions are frozen into the price structure, shifts from product to product are stopped, and confusion results. Correction by normal competitive means is prevented. And correction by government agency seems

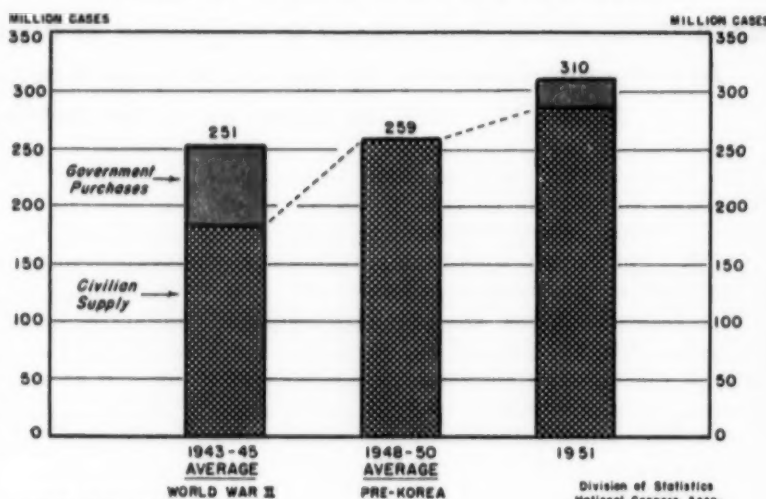
a mirage which recedes as we approach it.

Let's look now at the facts.

The productive capacity of the canning industry is so great that it is fully equal to the demands currently being made on it. No one can challenge that the operation of the forces of supply and demand in the canning industry are currently more effective in combating inflation than are price controls.

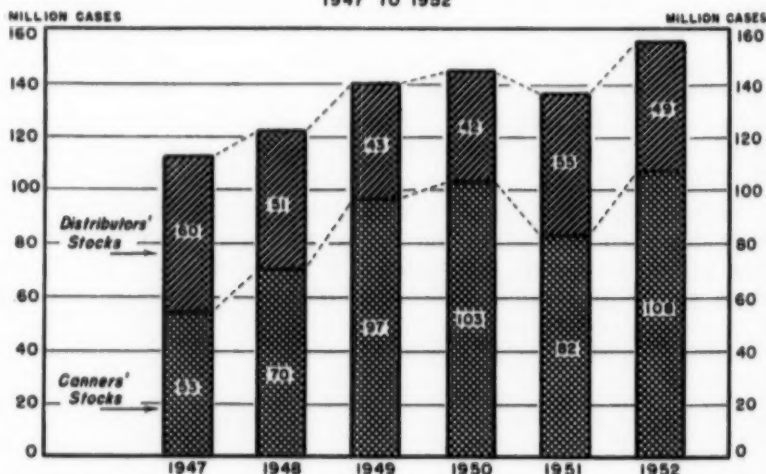
The supply and demand picture for canned fruits and vegetables can be vividly and quickly seen from my first three charts.

PRODUCTION - CANNED FRUITS AND VEGETABLES



SOURCE: National Canners Assn.

JANUARY 1 STOCKS - CANNED FRUITS AND VEGETABLES 1947 TO 1952



SOURCE: Distributors' Stocks - U.S. Dept. of Commerce
Canners' Stocks - Div. of Statistics, National Canners Assn.

The first chart shows the production record for three periods: 1943-45, 1948-50, and the year 1951.

You can quickly see that following World War II civilian supplies of fruits and vegetables were vastly increased over those previously available.

For 1951 the supplies were greater than in the pre-Korean period after allowing for government requisitions.

I might add that, as the Committee probably knows, the war period production exceeded the prewar 1935-39 production on all of the major vegetables such as corn, peas, tomatoes, and beans.

During and following World War II the industry was modernized, its plants enlarged, and greatly increased capacity developed and utilized.

The results of all of this are seen on the second chart, showing the stocks of canned foods both in canners' and distributors' hands.

You will see that for 1952 these are higher than for any previous year. The canners' stocks are the highest they have ever been.

[At this point Mr. Taylor was interrupted by questions by members of the Committee, and he was unable because of the questioning to complete presentation of the statement in the form in which it was prepared. The question-and-answer portion of Mr. Taylor's testimony is reproduced beginning on page 5. Following is the remainder of his prepared statement.]

The distributors' stocks were lower only in two previous years. This demonstrates forcefully that distributors have complete confidence in supplies both for the present and the future.

The Committee knows, of course, that fruits and vegetables are seasonally canned. Therefore, the end of the calendar year is the best time to secure an accurate guide as to the supply situation.

My next chart will startle the Committee. It shows the 1951 actual production of processing vegetables and the 1952 goal which the Department of Agriculture has recommended.

You will quickly see that the Department of Agriculture has recommended a 15 percent reduction in the processing tonnage.

I ask you to keep this chart in mind when we look at the price situation.

The plain fact is that while OPS, one government agency, is asking for tighter price controls, presumably because of scarcity and inflationary pressure, the Department of Agriculture asks this reduction in processing tonnage.

To quickly sum up this supply and demand situation, which we will show

in a minute has resulted in the low canned food prices of today, the Committee can keep in mind:

First, that the production of canned fruits and vegetables for civilian use is at an all time high, tremendously above World War II and about 20 percent above the pre-Korean average.

Second, that as of January 1, 1952, the stocks in canners' and distributors' hands were at an all-time high.

Third, that the Department of Ag-

riculture has recommended—which is equivalent to asking that—there be a 15 percent reduction in the 1952 goals on processing vegetables.

Where are canned fruit and vegetable prices today?

The next chart shows that relatively they are far below all foods and far below the cost of living.

May I as a layman first say a word about the statistical form of this

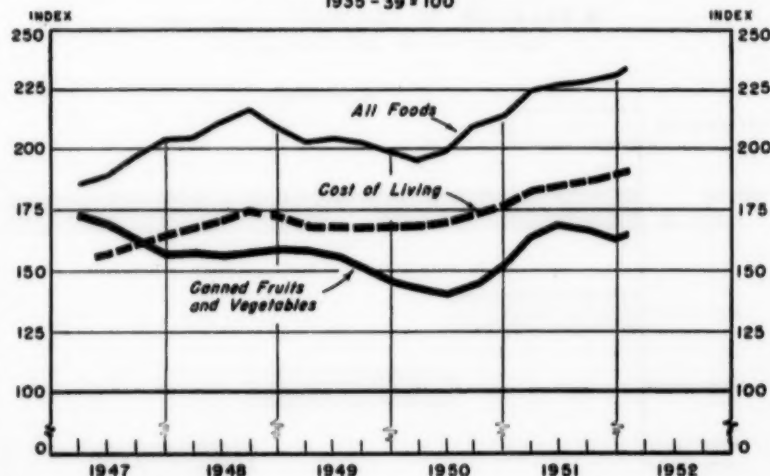
USDA 1952 PRODUCTION GOAL PROCESSING VEGETABLES



SOURCE: U.S. Dept. of Agriculture

Division of Statistics
National Canners Assn.
March 1952

RETAIL PRICE TRENDS 1935 - 39 = 100



SOURCE: Bureau of Labor Statistics

Division of Statistics
National Canners Assn.
March 1952

chart. It does not really show prices but only trends.

This Committee knows that in the computation of the cost of living index by the Labor Department all foods have a value of about 34 percent. But in this cost of living index canned fruits and vegetables amount to only 2 percent.

The number of dollars represented by the cost of living index is very large. The number of dollars represented by the line for all food prices is much smaller. The number of dollars represented by the line for canned fruits and vegetable prices is a very, very small part of the picture.

Put another way, this chart shows merely the way in which prices have moved since 1946.

Let's look at the picture.

As of January, 1952, the index of canned fruit and vegetable prices is 26 points below the cost of living index. It is 69 points below that for all foods.

Even more striking is the fact that the index for canned foods has declined every month from June through November, 1951.

In this same period, the index for all foods and the cost of living index was still rising.

This result was not due to price controls.

If you will keep in mind the supply and demand situation, the story on the next chart will be understood. This shows that canned fruits and vegetables are now selling below ceiling prices.

They are doing so not because of the price ceilings, but because of supply and demand.

From this chart, which was prepared by the N.C.A. Division of Statistics, you will quickly see that 83 percent of all canned fruits and vegetables are now selling below ceiling prices.

When this overwhelming bulk of those selling below ceilings are further analyzed, you can see that 25 percent are selling down to 5 percent below ceilings, an additional 26 percent are selling from 5 to 10 percent below ceilings, and the extraordinary percentage of 32 percent, or about a third, are selling 10 percent and more below ceiling prices.

I have here another practical illustration of what this means to the housewife.

It is a series of advertisements by retail grocers scattered throughout the country. These grocers know the facts. They are advertising canned foods by comparing the present prices with those which prevailed a year ago. In all instances the prices are lower. The members of the Committee may be interested in looking at some of these sheets.

There is the price picture.

The index of canned fruit and vegetable prices is below where it was in 1947. Canned fruit and vegetable prices have declined constantly since mid-1951, production and stocks are at an all-time high, and 83 percent of the volume of canned fruits and vegetables are selling below ceiling prices, and about a third at more than 10 percent below ceiling prices.

From this showing, it should be clear that there is no inflationary pressure—and no need for emergency price controls for canned foods.

The Committee may ask why the canning industry objects to price control if 83 percent of its volume is selling below the ceilings. You may ask why we insist that there should be provision for suspension of price controls, and that these provisions be automatic and self-operating.

There are many compelling reasons. They are detailed in our statement and can be quickly summarized:

In the first place, there is the burden and the vast amount of time, money, and energy that must be needlessly expended. These can be ill-afforded by the smaller canners. For example, in my own instance I have only a single bookkeeper.

Second, and of vital concern to every canner, is the strait-jacketing which price control imposes.

Necessarily, most canned food price ceilings provide formula prices. This means that some base period pattern is selected and various factors provided for material and labor.

But the main characteristic of the canning industry is the shifting relationship from year to year between products and among the various sizes and grades of each product. This is constantly going on. The 1948 picture is not the same as the 1951 picture or like what the 1952 picture will be.

Canners constantly make a loss on many items where an abundant supply results in a very low price. They must partially recoup these losses on other items.

No matter what base period is selected, no price control could possibly keep up with changes and adjustments to compensate for this freezing of the normal interplay of competitive forces.

We doubt whether any government agency could do so.

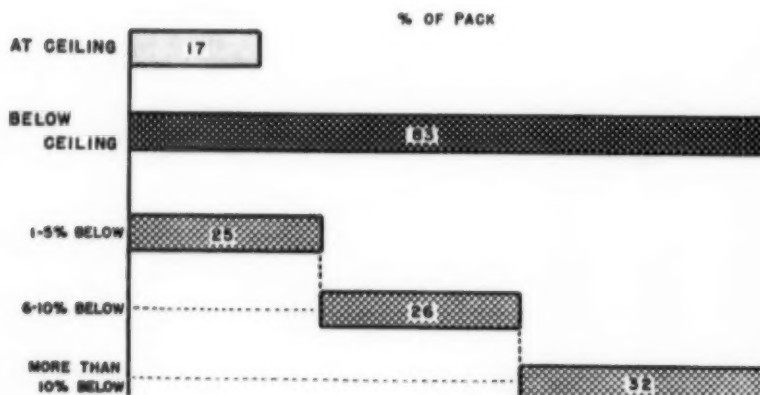
The real point is that all of this strait-jacketing takes place where there is no fundamental need for price control.

Every OPS man will agree that no matter what its form, every price control regulation will cause some inequities.

Next, there is the plain confusion and the irreducible impediment to production and operations which price controls cause. I could expand on these indefinitely. They are detailed in our statement. The net effect is that the ordinary buying and selling of a clearly abundant supply of canned fruits and vegetables is disrupted and harassed by the existence of unnecessary price controls.

As we see it, the continuance of price controls for canned foods can be justified only by those who want controls—emergency or no emergency—simply for the sake of having price controls. We disagree. We think that with abundant supply we should have free competition. We think under this system the consumer has been and will be far better off.

**CANNERS SELLING PRICE
IN RELATION TO CEILINGS - FEB. 1952
CANNED FRUITS AND VEGETABLES**



SOURCE: National Canners Assn.

Division of Statistics
National Canners Assn.
March 1952

Committee Questions and Answers

[Following is a transcript of the questions asked of Mr. Taylor by members of the Committee and Mr. Taylor's answers.]

SENATOR BRICKER: Have you a figure as to whether or not production has more than kept up with the increased population from the 1948 period to 1951?

MR. TAYLOR: I think it has, sir. The increase from the 1948-50 average to 1951, I think, is 20 percent.

During and following World War II, the industry was modernized, its plants enlarged, and increased capacity developed and utilized.

The results of all this are seen on the second chart, showing the stocks of canned foods both in canners' and distributors' hands. You will see that for 1952, these are higher than any previous year. The canners' stocks . . .

SENATOR BRICKER: It was the Army buying in 1951 that brought them down, I suppose?

MR. TAYLOR: No, I do not think so. They were the stocks on hand.

The canners' stocks are the highest that they have ever been. The distributors' stocks were lower only in two previous years. This demonstrates forcefully that distributors have complete confidence in supplies both for the present and the future.

The Committee, of course, knows that fruits and vegetables are seasonally canned, and therefore the end of the calendar year is the best time to get an adequate guide to the supply situation.

The previous chart showed the government's requirements for 1951. The Quartermaster report that their requirements for 1952 will be approximately 50 percent of what they were for 1951.

SENATOR BRICKER: Is that because of the inventory?

MR. TAYLOR: I think it is because they over-bought in 1951.

SENATOR BRICKER: That is what I mean, they have them in storage.

MR. TAYLOR: My next chart will startle the Committee. It shows the 1951 actual production of processing vegetables, and the 1952 goal the Department of Agriculture has recommended. You will quickly see that the Department of Agriculture has recommended a 15 percent reduction in the processing tonnage.

SENATOR BRICKER: Why was that?

MR. TAYLOR: Because they think the supplies are too large right now. They think that if we produce as much this year as we did last year, there will be burdensome supplies. There is no other explanation.

SENATOR BRICKER: We are not back to the pig-killing business, are we?

MR. TAYLOR: This really means that we just do not plant this much this year as we did last year. The recommendations are not really to canners, but are to farmers who plant these processing vegetables. Does that answer your question, sir?

SENATOR BRICKER: Yes.

MR. TAYLOR: I ask you to keep this chart in mind when we look at the price situation. The plain fact is that while OPS, one government agency, is asking for tighter price controls, presumably because of scarcity and inflationary pressure, the Department of Agriculture asks this reduction in processing tonnage.

SENATOR SCHOEPPEL: What will that do to price?

MR. TAYLOR: I do not think it will run prices up too much. Of course, your guess is as good as mine, sir. I am no prophet.

SENATOR SCHOEPPEL: Would that run up the price, in view of the heavy inventory situation that presently exists in your industry?

MR. TAYLOR: I do not think so. There is a lag usually in price following changes in supply situation, and prices, as I am going to show, are low.

SENATOR SCHOEPPEL: What would be a reasonable amount of lag in time on that?

MR. TAYLOR: It is a little hard to say, sir, because you grow in a period of a few weeks a whole year's supply, and you cannot make an adjustment in supply until the following year. I would say the lag is much longer than for other things, for the usual goods of industry.

SENATOR BRICKER: It looks like the poor consumer does not get much of a break.

MR. TAYLOR: Oh, the consumer has all the canned foods he wants.

SENATOR BRICKER: But the price might go down to the consumer, and that would be a terrible thing in this whole picture, would it not?

MR. TAYLOR: If it went down to the point where we lost money, I suspect we would think it is a terrible thing for us.

SENATOR BRICKER: If it goes down to where you lose money, your costs will go down, too. Will not the supply go down to the producer the same as it does from the consumer to you?

MR. TAYLOR: Generally speaking, canned fruits and vegetables are bought by contract where the price is fixed prior to the canning season, and before the supply situation is established.

SENATOR BRICKER: There might be a temporary period in which the ordinary rules of supply and demand will not work, but it seems to me here that you are holding up the price

in two respects: you are holding it up to the producer, and you are holding it up to the consumer, so that the middleman makes a profit. Is that the situation?

MR. TAYLOR: Does not the OPS take care of the middleman, and the margins he is allowed to charge?

SENATOR BRICKER: I do not know who it takes care of. I have often wondered, but this is pretty clear evidence here that the consumer interest is not the paramount interest.

MR. TAYLOR: Sir, I do not think that there is any danger of this reducing supplies to where the consumer will not be able to get what she wants at fair prices.

SENATOR BRICKER: What kind of prices?

MR. TAYLOR: Fair prices.

SENATOR BRICKER: Fair prices made wherever the particular party figures it ought to be?

MR. TAYLOR: Have you heard the definition of fair price, that it is the price agreed upon between a buyer who is able, willing and ready, but not obliged to buy, and the seller?

SENATOR BRICKER: But there are a lot of rules that have interfered with the free operation on the market price of that rule.

MR. TAYLOR: That is quite true.

SENATOR DIRKSEN: One question, Mr. Taylor. Last year the Secretary of Agriculture testified before this Committee in behalf of the Defense Production Act with the controls in it. In other words, he favored it.

Now, one may reasonably assume that the Secretary of Agriculture, as a responsible official, serving agriculture and commodities in the country, would want to keep some equilibrium between supply and demand of all types of commodities, so that there would be fair treatment to the consumer, the processor, the producer, and everybody else.

Now, that same Department of Agriculture, over which he presides, comes along now and says to you folks, the canners, that for 1952, you will substantially reduce—well, he will say to the producer—reduce production, as indicated by one of the charts.

Now, it would be a fair assumption that the Secretary of Agriculture could not anticipate on the basis of 1952 supply that that would develop an inflationary tendency of the country. Would you not say that is a fair assumption, Mr. Taylor?

MR. TAYLOR: I would say that is an excellent statement, sir.

SENATOR FREAR: By the same token, would you not also think if production amounted to in excess of these charts that you have shown us here by these

many million cases, it might also be deflationary?

MR. TAYLOR: It might be deflationary, yes, sir.

SENATOR CAPEHART: Let us see if we could summarize your position. Your position is that canned foods are selling, at wholesale, below ceiling, anywhere from what, 5 to 45 percent?

MR. TAYLOR: I do not have the figure for 45 percent. Thirty-two percent of the volume of canned fruits and vegetables are selling at 10 percent and more below ceilings.

SENATOR CAPEHART: In other words, your position is that all canned foods are selling below ceiling.

MR. TAYLOR: Eighty-three percent of them are.

SENATOR CAPEHART: Eighty-three percent of them are selling below ceiling, and the inventories in the hands of the packers, and the distributors, is the greatest in the history of this nation.

MR. TAYLOR: That is right, sir.

SENATOR CAPEHART: And you are having trouble selling canned foods today. That is, the market is soft?

MR. TAYLOR: That is right.

SENATOR CAPEHART: Therefore, canned foods ought to be decontrolled, or they ought to be at least suspended from control.

MR. TAYLOR: That is right, sir. That is my position.

SENATOR CAPEHART: Now, you are maintaining in this chart here that as a result of the softness in the canned foods industry, and the fact that prices are going down, and you are having trouble selling, that there will be less production in '52 than there was in '51.

MR. TAYLOR: I would answer it in this way, that the response of the canning industry for increased supplies has been so remarkable that the Secretary of Agriculture now asks us to call a halt and to reduce the supplies of some items, not all items.

SENATOR CAPEHART: In other words, the Secretary of Agriculture—that is a governmental agency—has asked you to reduce production.

MR. TAYLOR: Yes, they have asked the farmers to reduce production.

SENATOR CAPEHART: That is the same thing, because unless the farmer produces it, you of course cannot can it. In other words, the Secretary of Agriculture has asked the farmers to reduce their plantings of those things which you gentlemen can.

MR. TAYLOR: That is right, sir.

SENATOR CAPEHART: Because the Secretary of Agriculture realizes that there is an over-supply of production, and over-supply of canned foods as a result of the huge inventories in the hands of the packers themselves, and the distributors.

MR. TAYLOR: That is right, sir.

SENATOR CAPEHART: Therefore, you feel that canned foods, at the moment, under existing conditions, ought to be suspended from controls, or decontrolled.

MR. TAYLOR: That is right, sir.

SENATOR CAPEHART: Now, that is your entire story, is it not?

MR. TAYLOR: I would like to show you something about prices.

THE CHAIRMAN: We have read your statement, and if you would make your main points . . .

SENATOR CAPEHART: I was trying to get a clear picture here for everybody as to your position, because I have read your statement, and we, of course, in Indiana are one of the big canning states, and I have been talking with the people out there, and I think I have a fairly good picture of your problem. There is not any question but what the facts indicate that your industry ought to be decontrolled, or at least controls ought to be suspended.

MR. TAYLOR: That is what we are asking.

SENATOR CAPEHART: I think the best proof of that is the fact that the Agriculture Department themselves are recommending a reduction in the acreage of those things you can. I think that is your whole picture, and I think that is your whole story, and I think those are the facts. I think this Committee has got to make up its mind, and the government has got to make up its mind whether under existing conditions, such as these, they do want to suspend or decontrol, and it would seem to me if you cannot suspend or decontrol under the sort of conditions that actually exist in the canning industry, then we are never able to decontrol or suspend. I do not think there is a clearer picture of the facts, or the facts are any more clear for the need of suspension or decontrol than they are in this industry at the moment.

SENATOR ROBERTSON: The witness has presented a fine statement, which most of the members present are familiar with. It will go in the record, and I hope all members will read it, but I believe it would be helpful if Mr. Taylor would leave his manuscripts, if he can, and just turn to those charts and briefly state so the reporter can get it down what those charts indicate.

I believe the price of canned foods has never been up to the maximum ceiling since we have had OPS.

MR. TAYLOR: That is true, sir.

SENATOR ROBERTSON: And they are now very much below the ceiling price.

The supply so exceeds the market that the Department of Agriculture is actually urging you to can less this year.

MR. TAYLOR: That is right, sir.

SENATOR ROBERTSON: You have applied to OPS to be relieved of the very

burdensome paper work incident to price controls, but they have not seen fit to do it.

MR. TAYLOR: That is right, sir.

SENATOR ROBERTSON: And you want us to put a formula in this which will compel action or decontrol where the facts so clearly indicate that there is no necessity for it, that it serves no good purpose in connection with inflation control, and is an unnecessary burden upon the manufacturers and processors.

MR. TAYLOR: That is right, sir. The canning industry wishes to go on record as believing that the best interests of the country will be served if the Congress itself writes the formula for the suspension of price controls.

SENATOR BRICKER: What is this 17 percent above ceiling?

MR. TAYLOR: Seventeen percent is selling at ceiling. There is nothing I know of that is selling above ceiling. Eighty-three percent is selling below ceiling. We have a chart which will show that.

SENATOR SCHOEFFEL: Mr. Taylor, from what I have heard up to now it kind of looks this way to me, and I want you to tell me where I am wrong. The Department of Agriculture comes in and indicates they want to hold down production. Now, that tends to hold up prices. Then they come in before us and say they need price controls to hold prices down. Now, in that kind of picture, where are we going? I am going to listen to you, what you have to say about your charts.

SENATOR CAPEHART: Mr. Chairman, will you have somebody telephone the Department of Agriculture, and see exactly how much they are asking the farmers of the United States to reduce production of those things that are canned, so we can get it into the record along with Mr. Taylor's testimony?

THE CHAIRMAN: The Clerk will phone the Agriculture Department. Of course the Agriculture Department has not testified here. Go ahead, Mr. Taylor.

MR. TAYLOR: This is the cost of living index. This is the index of the prices of all foods, and this is the index of the prices of canned fruits and vegetables.

SENATOR ROBERTSON: Give the figures. The top goes to what?

MR. TAYLOR: Somewhere a little over 230.

SENATOR ROBERTSON: That is all foods. The cost of living index goes up to what?

MR. TAYLOR: 189.

SENATOR ROBERTSON: And the price of canned fruits and vegetables?

MR. TAYLOR: 163, I think it is, sir. These are not actual prices, they are

indications of price trends and price levels.

For instance, the cost of living represents a tremendous number of dollars spent by consumers. All foods represent about 34 percent of the cost of living, which, you see, is a much smaller number of dollars, whereas the prices of canned fruits and vegetables represent only 2 percent of the total cost of living, so they represent a very small number of dollars as compared to these others.

You see, I do not want you to get the impression that this shows the number of dollars spent. There is one other chart.

I would like to point out that while the cost of living has been rising, and all foods have been rising, from June through November, 1951, the index for the prices of canned fruits and vegetables fell.

This chart shows that canners' selling prices for 83 percent of the volume of canned fruits and vegetables are below ceiling, and only 17 percent are selling at ceiling. When you analyze it, 25 percent sell from 1 to 5 percent below, 26 percent from 6 to 10 percent below, and this very large percentage of 32 percent is selling at more than 10 percent below ceiling prices.

SENATOR BRICKER: What products made up the 17 percent, largely? That is what I asked a while ago.

MR. TAYLOR: Some items of corn, peas and apricots.

SENATOR SCHOEPEL: Mr. Taylor, can you give some indication about how long a period of time 25 percent have been from 1 to 5 percent below, and 26 percent from 6 to 10 percent below, and about what period of time?

MR. TAYLOR: You might say that is the situation today. It is based on a summary made within the past two weeks, and included in the data of this are reports from canners in 28 states who represent approximately two-thirds of the volume of all fruits and vegetables packed in the United States.

SENATOR SCHOEPEL: Would this be a fair statement to make; namely, when you take your percentages of 1 to 5 below, 6 to 10 percent below, and more than 10 percent, it would average out for a period of more than 6 months below.

MR. TAYLOR: They began falling last summer.

This is not the result, gentlemen, this shows that the low prices are not the result of OPS, but of the supply situation which we have shown. We have shown that the production has been the greatest ever known, and that supplies as of the first of this year are the greatest ever known, and that is a clear situation that this is a result of supply and demand, and not the result of OPS.

We can show this in a different way. This is translated in terms important

to the housewife, and I know you are very much interested in the housewife.

These are advertisements from a number of different retailers scattered over the United States, and they show a comparison between prices this year and prices a year ago. All of the prices in these, retail prices, all of the prices in these ads are less than they were a year ago. Not all are prices of canned foods, but a number of them are prices of canned foods.

That ought to be an indication that the prices of canned foods are not exerting any inflationary pressure at this time.

THE CHAIRMAN: Are there any questions, gentlemen?

SENATOR FREAR: I think Mr. Taylor will certainly readily admit that food is a necessary part of our living, and that the canners perform a function that is necessary to preserve that food from the time it is produced until the consumers can take it.

Has the canner ever been in a position where he was unable, over any great length of time, to have a margin of profit that you would say would be fair and equitable?

MR. TAYLOR: Well, now, I cannot speak for the industry, sir.

SENATOR FREAR: I thought you were representing the industry; maybe I am wrong.

MR. TAYLOR: The canners usually—once in a while—we will have a good profit that tends to make up for losses. You see, canners cannot predict, when they start, what their volume will be on anything, because it depends on the weather. The volume affects cost. It also affects volume of income, and they are more liable to loss than are any other industries.

At the same time, it is possible at times for them to make quite a good profit, but does not necessarily mean a high price. It might simply mean a large volume.

SENATOR FREAR: I think I understand that, but what I am leading up to is with this excessive amount, or apparently excessive amount of canned foods in storage, and unless production is curtailed, will not the producer demand of the canner to take his crop, and say you have been taking my crop for several years, where am I going to put it? You therefore may be in a position to suffer a greater loss than if that production might have been curtailed?

MR. TAYLOR: That is quite true. In other words, it is generally the practice of the canners to agree to take all of the vegetables produced on a certain acreage, and of course in a very favorable season that might be quite high, it might be large production, and very low prices on which the canner would have a loss.

SENATOR FREAR: I can understand you have to be flexible, you may have half what you anticipate, or twice as much as you anticipate at the beginning of any production season.

MR. TAYLOR: That is quite true.

SENATOR ROBERTSON: I would like to call attention to the fact, Mr. Chairman, that the grower of apples cannot regulate what his crop is going to be, and if the market does not take fresh fruit they try to save it by canning sliced apples and apple sauce. When the apples went to the canners and processors last fall, they took a big loss on them.

MR. TAYLOR: That is quite true.

THE CHAIRMAN: Are there any further questions, gentlemen?

SENATOR DIRKSEN: One question, Mr. Chairman:

Does the industry take a position on the reduced goal in 1952, the cut of 1,100,000 tons in the production of vegetables? You do not have to answer if you do not want to.

MR. TAYLOR: I would say that the industry has not taken any position. Of course, individual canners undoubtedly will. I think individual canners would be quite glad to see the reduction go into effect, but you know they are funny people, I doubt if they do.

SENATOR CAPEHART: The hypocrisy of this business of one department of the government encouraging the farmers to raise less, and then another department yelling that the consumers of America are being gouged by higher prices is a great lot of hypocrisy, is it not? It is just propaganda and hypocrisy of the worst sort. If it is true, and we are willing to take your word for it at the moment, that the Department of Agriculture is asking the farmers to grow less, you will have less, and therefore the consumer's price is going to be more, and vice versa.

MR. TAYLOR: May I say this, Senator Capehart, that the supply varies in the different items, and that where there is a short supply of one, and the price goes up, there may be abundant supplies of others, with the price down, and that these items are capable of being substituted one for another, and that the housewife almost always has the option of buying the lower priced items.

SENATOR CAPEHART: Your position is that the packers have the largest inventory in their history, the distributors have the largest inventory. The year 1951 was, I believe, your chart showed, the greatest production in the history of this nation as far as canned foods are concerned, that all prices, practically all prices are, your chart shows, selling below OPS ceilings, and that the Agriculture Department have recommended that the

farmers grow less of those things that you can.

Now, under those conditions, if they are all facts—and I am willing to accept them as facts at the moment, and I think they are—then certainly your industry ought to be suspended from controls, or it ought to be de-controlled.

MR. TAYLOR: We think so, sir.

SENATOR CAPEHART: I think that is your whole story, I think that is the picture, and I do not know how it can be explained any more clearly than in the way you have done it.

SENATOR ROBERTSON: Mr. Chairman, I would like to call attention to the fact that ever since we have had support for hogs, the Department of Agriculture has attempted to advise producers of prospective available markets. On support items, like cotton, and tobacco, when the prospective market falls off, they put an arbitrary reduction program into effect. They reduce allotments. There is no support price for these vegetables, but the Department feels that farmers whose principal income comes from producing items that go into canned vegetables should know about the accumulation of inventories, and the prospects for very low prices which might be ruinous to a lot of farmers.

I would not think it made too much difference to the canner. He would just have to keep cutting the price to the farmer if he cannot sell it at a given price.

MR. TAYLOR: I would like to make one point, sir, and I can do it briefly.

I pointed out the fact that the supplies of various items vary considerably, and a canner will take a loss on one price where he is making a profit on another.

I want to point out that price controls straitjacket the canner. It

makes it impossible for him to make a profit here. In other words, he is frozen to his low prices, and if the things that he is making a profit on market-wise start falling down to where he makes a loss on them, it is impossible for him to recoup on some other items. If that is a result of price controls being imposed, where the supply situation and the price situation does not warrant them, it straitjackets the canner with no benefit to the economy at all.

THE CHAIRMAN: We thank you very much for your statement.

SENATOR BRICKER: What is your best estimate on the cost to the canners of making these reports to OPS?

MR. TAYLOR: Well, I am a little canner, I have just one man in my office keeping my books, but I would say—I do not know, it is right much of a burden. I was trying to say it would take fully half our time for all government reports. As to these, I would say they come on top of an industry that is already up to its neck in book-keeping.

SENATOR BRICKER: You say half their time is taken up in making government reports of some kind.

MR. TAYLOR: I would say that is a fair statement, yes, sir.

THE CHAIRMAN: In the meantime, Mr. L'Heureux [one of the Committee clerks] got the information that you wanted from the Department of Agriculture.

MR. L'HEUREUX: In reference to the Canners Association statement by Mr. Taylor, and the charts submitted, I have spoken to Dr. Elliott of the Bureau of Agricultural Economics in the Department of Agriculture.

He states that these figures are roughly correct. For instance, the 1952 goal instead of 6.3 is 6.383 million tons, so they are roughly correct.

The acreage goal in 1952 is only about 2 percent down from the 1951 goal.

In 1951, a special effort was called for in processing vegetables to meet the increased civilian and military needs. Now, the buildup has been accomplished, and the pipeline has been filled through vegetables in storage, in transit, and so forth.

The acreage goal in 1950 was 1,623,000 tons. The acreage goal in 1951 was 1,880,000 tons. The acreage goal in 1952 is 1,850,000 tons, or a 2 percent reduction from the high goals of 1951.

The expected yield is 15 percent less because of anticipated weather conditions, the fertilizer situation, and so forth. In other words, a normal year is expected this year.

The year 1951 was an exceptionally fine production year in processing vegetables. In short, the Department of Agriculture has reduced the acreage by 2 percent only, and told the farmers, in effect, that a normal year with a yield of 6.3 million tons would be acceptable.

THE CHAIRMAN: Thank you.

SENATOR DIRKSEN: Mr. Chairman, before we get away from that statement, I want to comment that it is not a question of acreage in my judgment, but of the tonnage of vegetables that will determine how much more we carry in storage. So you could reduce acreage by only 2 percent, and still get another million tons of vegetables.

MR. L'HEUREUX: They point out they expect a normal year, while in 1951 they asked them to make special efforts to produce more because they needed to fill that pipeline. Now that the pipeline is filled, and they anticipate a normal year, they figure it will be 15 percent down.